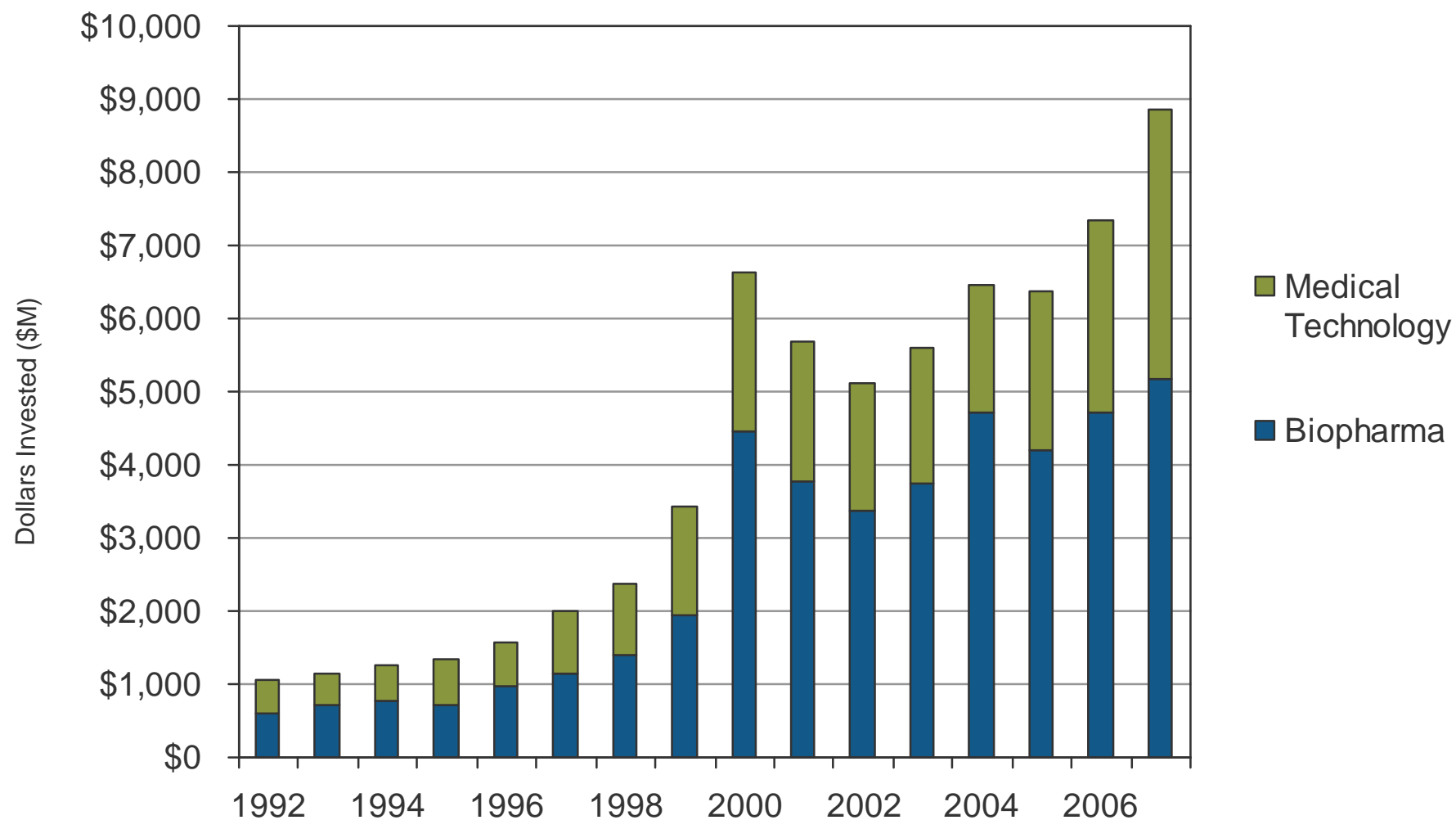


AltaPartners

Lifesciences Sector Overview

CONFIDENTIAL

VC Funding for Life Sciences



Source: Dow Jones VentureSource

Drug Development Scorecard (1/06-12/07)

| Source | FDA approvals |
|---------------------------------|---------------|
| Biotech industry | 47 (45%) |
| Biotech-Pharma alliances | 16 (16%) |
| Acquisitions/licenses by Pharma | 4 (4%) |
| Pharma industry | 36 (35%) |
| Total | 103 |

IPO Hurdle Will Remain High

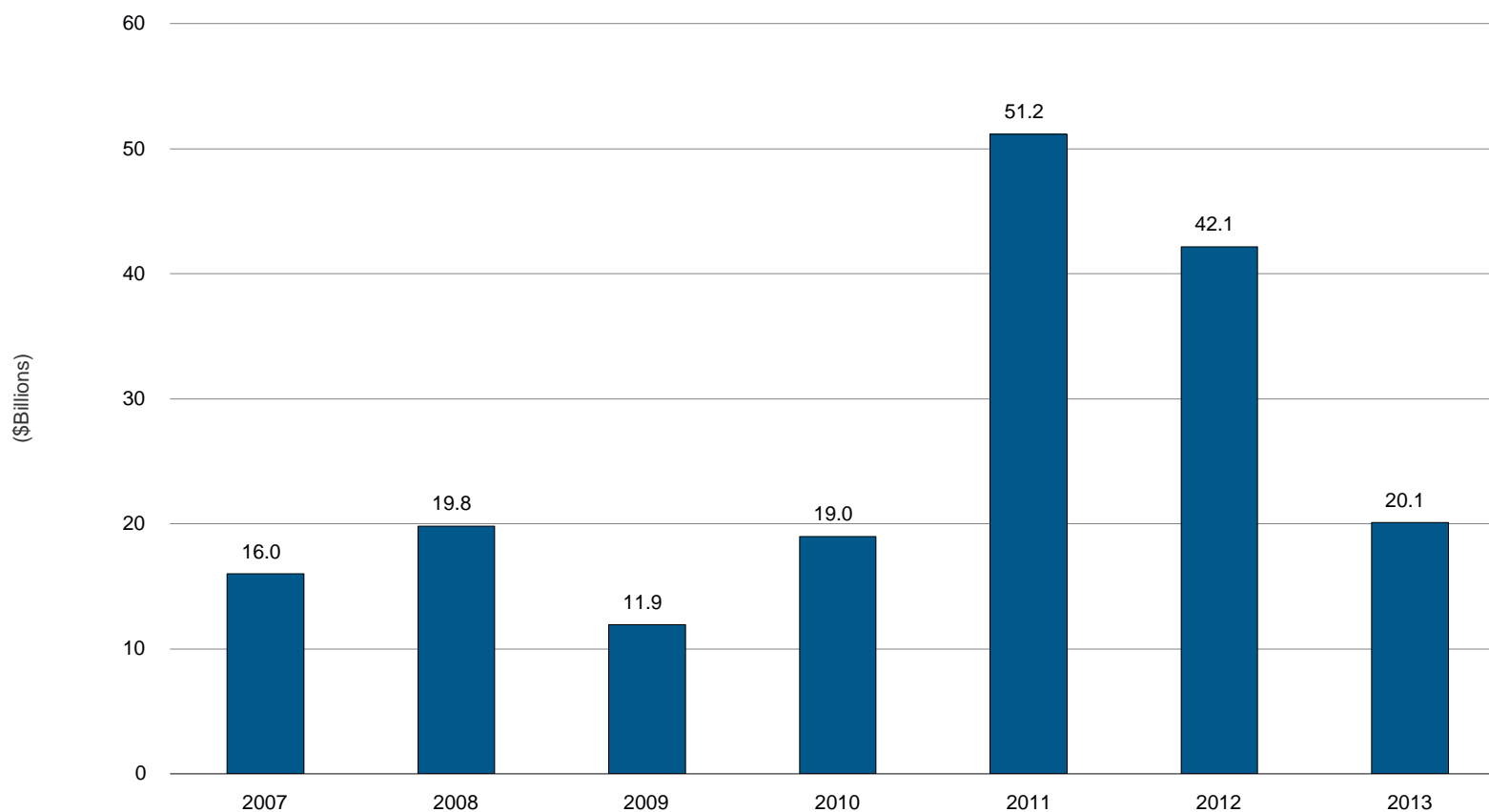
- Select companies will go public
 - Revenue stories
 - Later stage (Phase II/Phase III)
- Healthy pipeline of secondary programs
- Stellar management teams
- Blockbuster partnerships can matter
 - Provide validation
 - Non-dilutive capital stretches development dollars
 - Company must maintain some commercial rights
- Markets are in turmoil. IPOs will be few and far between in the near term

Pharma Position Continues to Weaken

- Reality of patent expirations is being felt
- Building greater reliance on biotech to drive growth and shore up slumping bottom line

Near Term Patent Cliff

Large Cap Pharma Revenue Lost to Patent Expirations by Year ⁽¹⁾



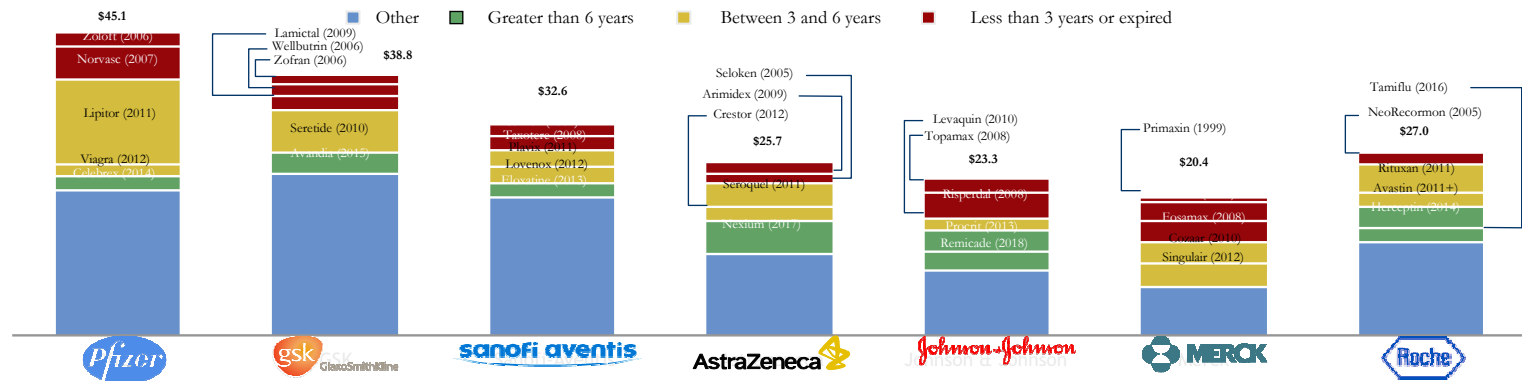
Source EvaluatePharma

Note

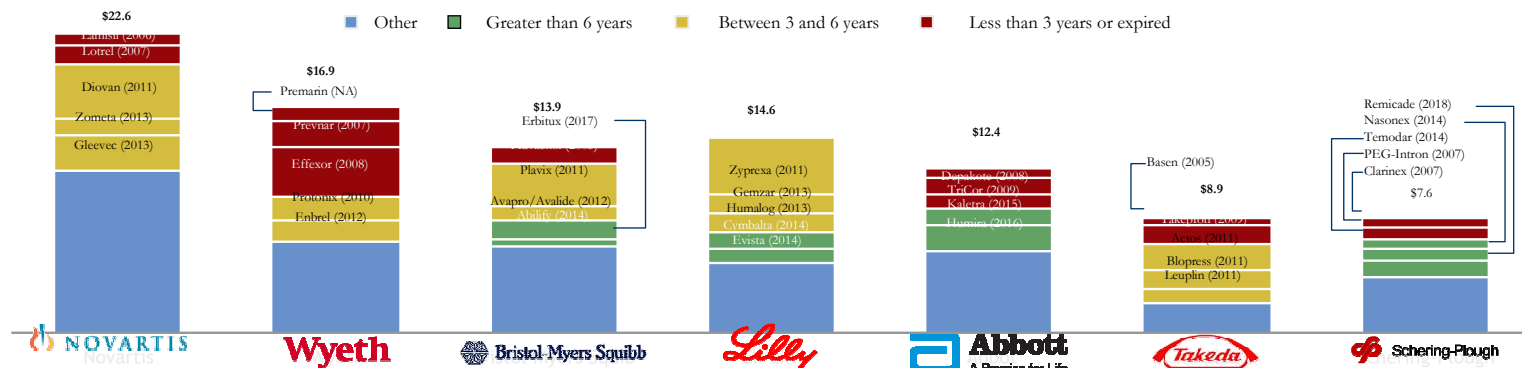
1. Includes Abbott, AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GlaxoSmithKline, J&J, Merck, Novartis, Pfizer, Roche, Sanofi, Schering-Plough, and Wyeth. Revenue lost calculated as last full year of estimated sales prior to scheduled expiration

Big Cap Pharma Losing Blockbusters

2006 pharmaceuticals revenue (\$ billions)



2006 pharmaceuticals revenue (\$ billions)

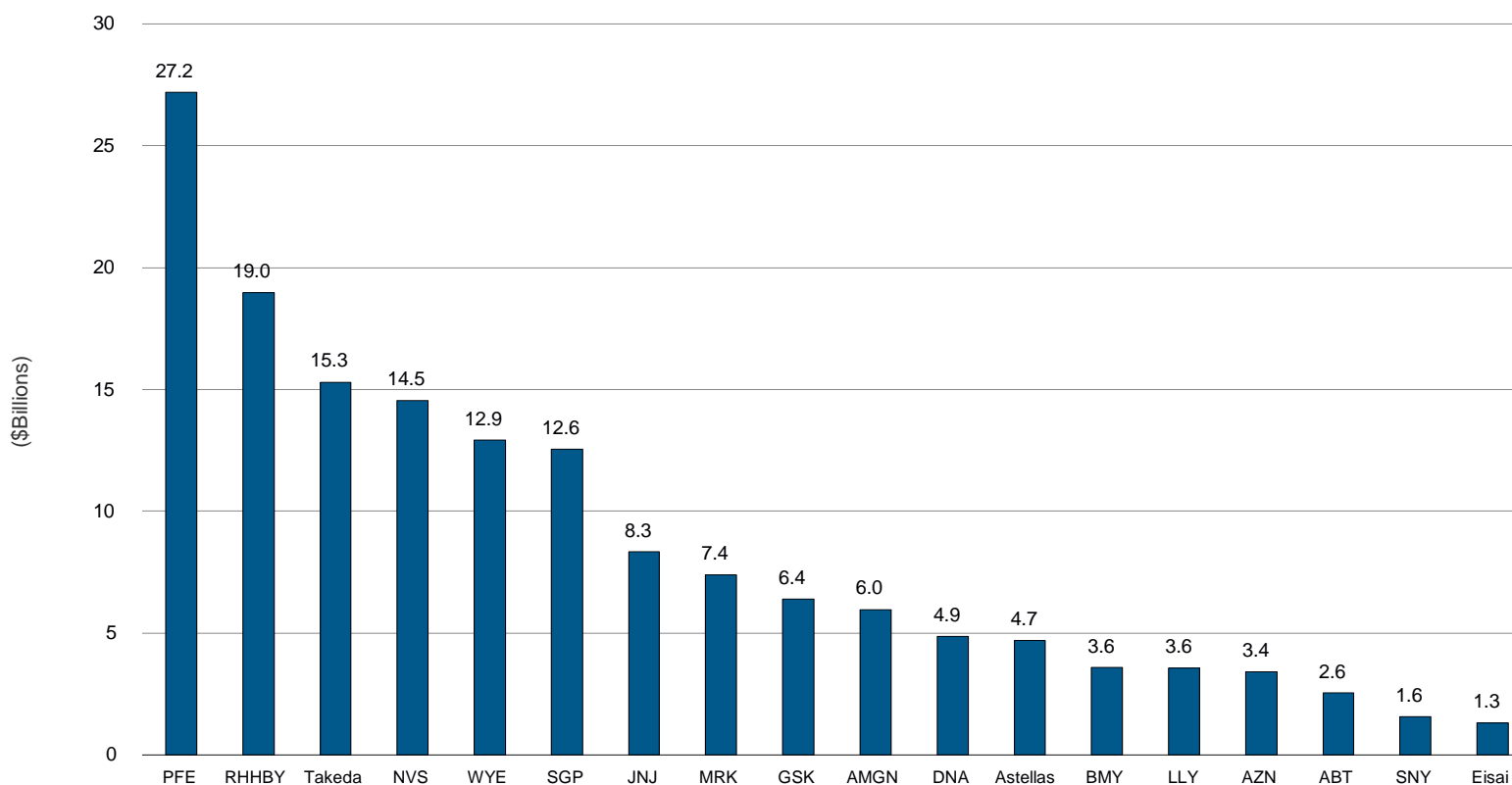


Source: Morgan Stanley analysis

Note: Red, yellow and green bars highlight top five products by revenue.

Pharma Cash Positions are Strong

Cash & Equivalents ⁽¹⁾



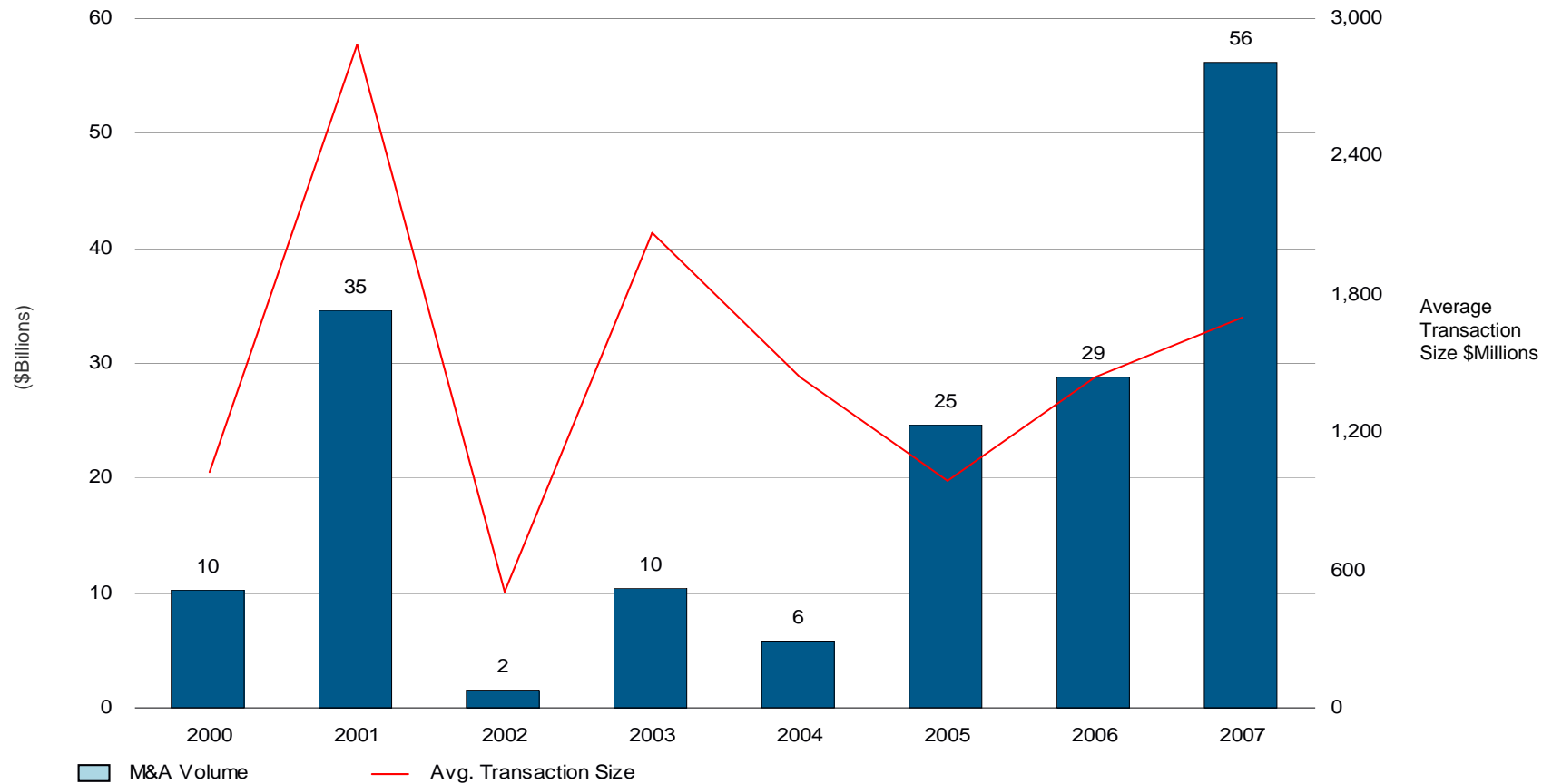
Source: Morgan Stanley

Note

1. Most recent company filing as of 3Q07

Biotech M&A on the Rise Since 2005

Biotech M&A Volume



















Source: Morgan Stanley, SDC as of 12/31/07

Note

1. Biotech M&A volume was up 17% in 2006 compared to 2005 and nearly doubled in 2007













Recent Private Biotech M&A – Phase I

| Date | Acquirer | Target | Deal value | Lead product | Pre-transaction milestones | Comments |
|----------|---|---|--------------------|---|--|--|
| 03/03/08 |  |  | Undis. | ■ SNX-5422 / Phase I / Oncology | ■ December 2007 - Initiation of second Phase I trial for SNX-5422 | ■ Strengthens Pfizer's oncology pipeline with clinical candidate and extensive small molecule library |
| 11/26/07 |  |  | \$537 ¹ | ■ AGS-PSCA / Phase Ib / Prostate cancer | ■ Identification of 30 novel target antigens ■ Product development and research agreements with Genentech, MRK, Sanofi-aventis and Seattle Genetics | ■ Accelerates the development of monoclonal antibody capabilities ■ Subsequent to Regeneron and MorphoSys collaborations, both of which focus on antibody R&D |
| 10/05/07 |  |  | Undis. | ■ Discovery for protein therapeutics | ■ Haptomics approach, novel display platform (DBDX) and unique 'Forced Epitope Selection' methodology allow discovery of new lead antibodies | ■ Haptogen has developed a number of technologies that allow for the discovery and optimization of protein therapeutics with significantly improved profiles |
| 09/24/07 |  |  | 430 | ■ Angiocept (CT-322) / Phase I / Oncology | ■ February 2007 - Positive interim Phase I results of Angiocept (CT-322) | ■ Helps advance BMS's biologics strategy across multiple therapeutic areas ■ Subsequent to 2007 WW collaboration |
| 12/8/06 |  |  | 454 | ■ Domain antibody (dAb) platform | ■ Immunology, respiratory and oncology programs in pre-clinical phases prior to acquisition | ■ Domantis' dAb technology has broad applicability and underscores GSK's investment in biopharmaceuticals |
| 10/29/06 |  |  | 380 ³ | ■ C326 / Phase I / IL-6 inhibitor for Crohn's disease | ■ Sep. 2006 - Initiated Phase I clinical trial for C326 ■ May 2006 - Raised \$44 million in Series C financing to advance development of lead products | ■ Avimer proteins represent a new class of human therapeutic, one of the most attractive protein-based technologies currently under development |
| 5/9/06 |  |  | 400 | ■ Yeast-based, protein optimization technology | ■ Jan. 2006 - Announced the first production of monoclonal antibodies with human sugar structures in yeast | ■ Complements Merck's capabilities in yeast expression technology, as shown by the production of the virus-like particles in GARDASIL, an HPV vaccine |
| 5/3/06 |  |  | 250 ³ | ■ CNF1010 / Phase I / Cancer | ■ Aug. 2004 - Initiated two Phase I trials for CNF1010, focusing on patients with advanced solid tumors and CML ■ Oct. 2005 - Initiated Phase I trial for CNF2024 in B-Cell CLL | ■ Broadens Biogen Idec's therapeutic opportunities in the cancer field |

Source: Company filings, equity research, JP Morgan analysis

¹ Includes \$150 million in milestone payments

Recent Private Biotech M&A – Phase II





| Date | Acquirer | Target | Deal value | Lead product | Pre-transaction milestones | Comments |
|----------|---|---|--------------------|--|--|---|
| 06/06/07 |  |  | 300 | ■ ALS 2-0426 / Phase II / Type II diabetes | ■ May 2007 - Initiated Phase IIa clinical trial for ALS 2-0426 in type II diabetes with ex-US partner, Servier | ■ Adds clinical stage, orally administered DPP-IV inhibitor to Amgen's portfolio of therapeutics for metabolic diseases |
| 06/04/07 |  |  | 420 | ■ ILY101 / Phase II / Hyperphosphatemia | ■ February 2007 - Completed enrollment for Phase II trials for ILY101 in hemodialysis patients ■ April 2006 - Licensed Japanese marketing rights to Astellas | ■ Strengthens Amgen's nephrology portfolio ■ Adds multiple preclinical matrix metalloproteinase targeting osteoarthritis candidates |
| 03/21/07 |  |  | 325 | ■ MORAb 003 / Phase II / Ovarian cancer | ■ Phase I/II trials underway for MORAb 003 ■ Second product MORAb 009 in Phase I trials for pancreatic cancer | ■ Provides Eisai with monoclonal antibody capability |
| 2/01/07 |  |  | 150 | ■ A-831 / Phase II / Hepatitis C | ■ November 2006 - A-831 enters Phase I; A-689 second generation NS5a inhibitor in preclinical studies ■ Phase II trials underway for RSV604 (partnered with Novartis) | ■ Strengthens AZ's portfolio of anti-infectives, now a key focus area |
| 12/14/06 |  |  | \$580 ¹ | ■ Ceftaroline acetate / Phase II / broad-spectrum antibiotic | ■ September 2006 - Announces positive Phase II results ■ March 2006 - FDA grants fast track status for ceftaroline acetate | ■ Operating leverage from using Forest's existing hospital-based salesforce ■ Forest to explore options for commercialization outside US |
| 11/15/06 |  |  | 100 ² | ■ Amrubicin / Phase II / NSCLC/SCLC | ■ July 2006 - Reported Phase II results demonstrating clinical efficacy both as single agent and in combination with cisplatin | ■ Acquisition helps expand Pharmion's product portfolio with an advanced stage of oncology product with U.S. and potentially EU rights |

Source: Company filings, equity research. JP Morgan analysis





¹ Includes \$150 million in milestone payments

Recent Private Biotech M&A – Later Stage

Phase III

| Date | Acquirer | Target | Deal value | Lead product | Pre-transaction milestones | Comments |
|----------|---|---|------------|--|---|---|
| 07/25/07 |  MERCK |  NovaCardia | 350 | ■ KW-3902 / Phase III / Acute Congestive Heart Failure | ■ June 2007 - Positive pilot Phase III results of KW-3902 for Acute Congestive Heart Failure | ■ Adds clinical stage compound to Merck's portfolio of therapeutics for cardiovascular diseases |
| 7/19/06 |  GILEAD |  CORUS | 365 | ■ Cayston / Phase III / Cystic fibrosis | ■ Jun. 2005 - Reported Phase II results showing Cayston was well tolerated and statistically significant improvements in <i>Pseudomonas aeruginosa</i> and FEV ₁ | ■ Acquisition helps fill a gap in Gilead's drug development pipeline |

NDA/Marketed Product

| Date | Acquirer | Target | Deal value | Lead product | Pre-transaction milestones | Comments |
|----------|---|---|------------|--|--|--|
| 11/21/07 |  GSK |  Reliant | Undis. | ■ Discovery for protein therapeutics | ■ Haptomics approach, novel display platform (DBDX) and unique 'Forced Epitope Selection' methodology allow discovery of new lead antibodies | ■ Haptogen has developed a number of technologies that allow for the discovery and optimization of protein therapeutics with significantly improved profiles |
| 01/09/07 |  ACTELION |  CÖTHERIX | \$420 | ■ Ventavis/commercialized/cardiovascular disease | ■ Early stage pipeline of novel therapeutics ■ \$100 million run rate for Ventavis | ■ Synergistic product with Actelion's Tracleer product ■ Provided US operations for European company |

Source: Company filings, equity research, JP Morgan analysis

¹ Includes \$150 million in milestone payments

Trends in 2007 M&A

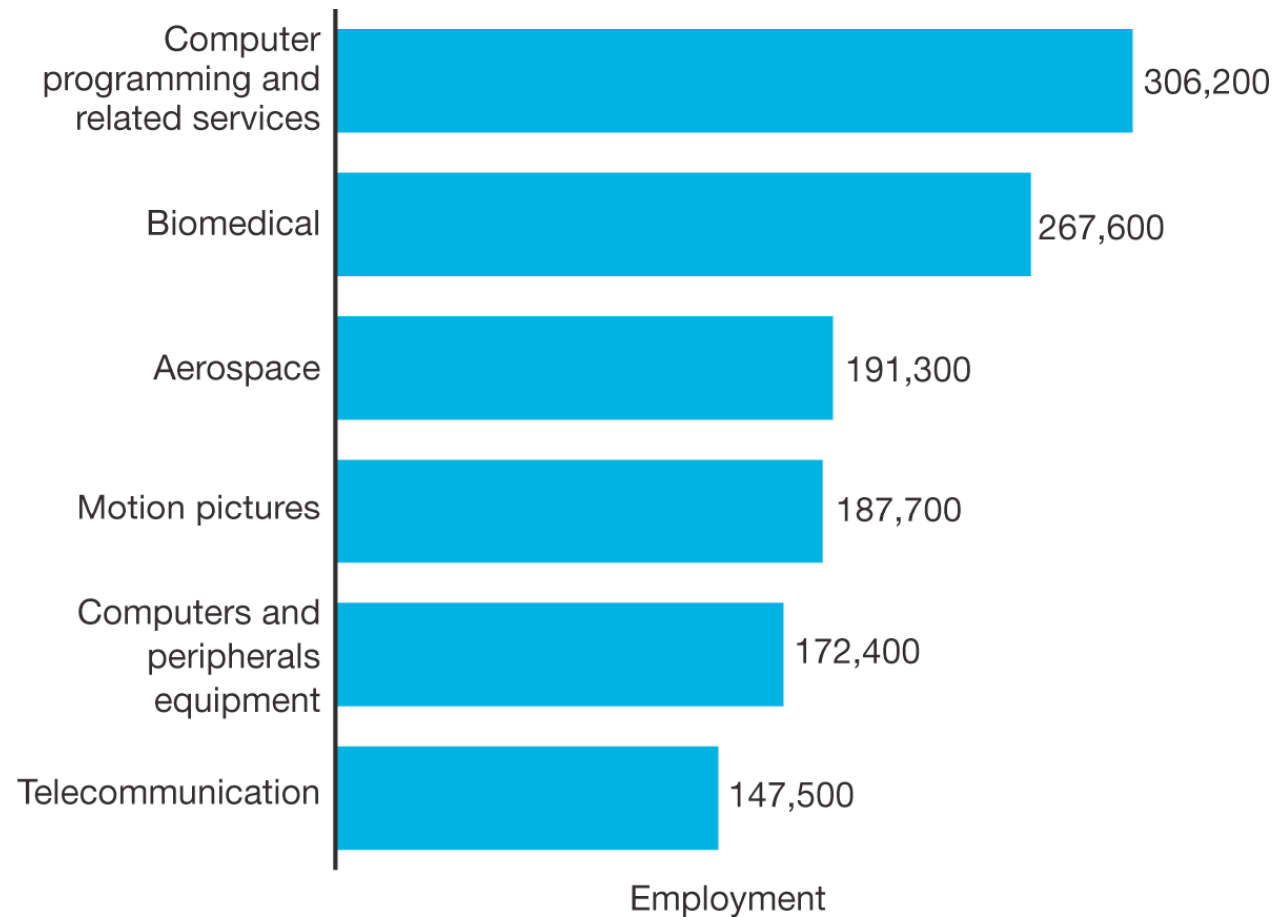
- High prices paid for early stage programs
- Big Biotech becoming a large driver of M&A activity
- Japanese pharma becoming more aggressive
- Pharma is partnering earlier to get options on promising assets
- Partnering continues to influence M&A
 - Partnering discussions shift to pre-emptive M&A
 - Pre-existing relationships often precursor to M&A
- Biologics and therapeutic platforms continue to be drivers

California Lifesciences Industry Highlights

- Total biomedical companies • 2,700
- Total estimated revenue • \$72.8 billion
- Total estimated employment • 267,600
- Overall biomedical average wages • \$71,300
- Total NIH grants awarded • \$3.3 billion
- Total estimated VC investment • \$3.2 billion
- Estimated private investment in R&D • \$27 billion

Source: CHI & PwC

Lifesciences: Turning Innovation into Jobs



Source: California Employment Development Division,
Bureau of Labor Statistics.

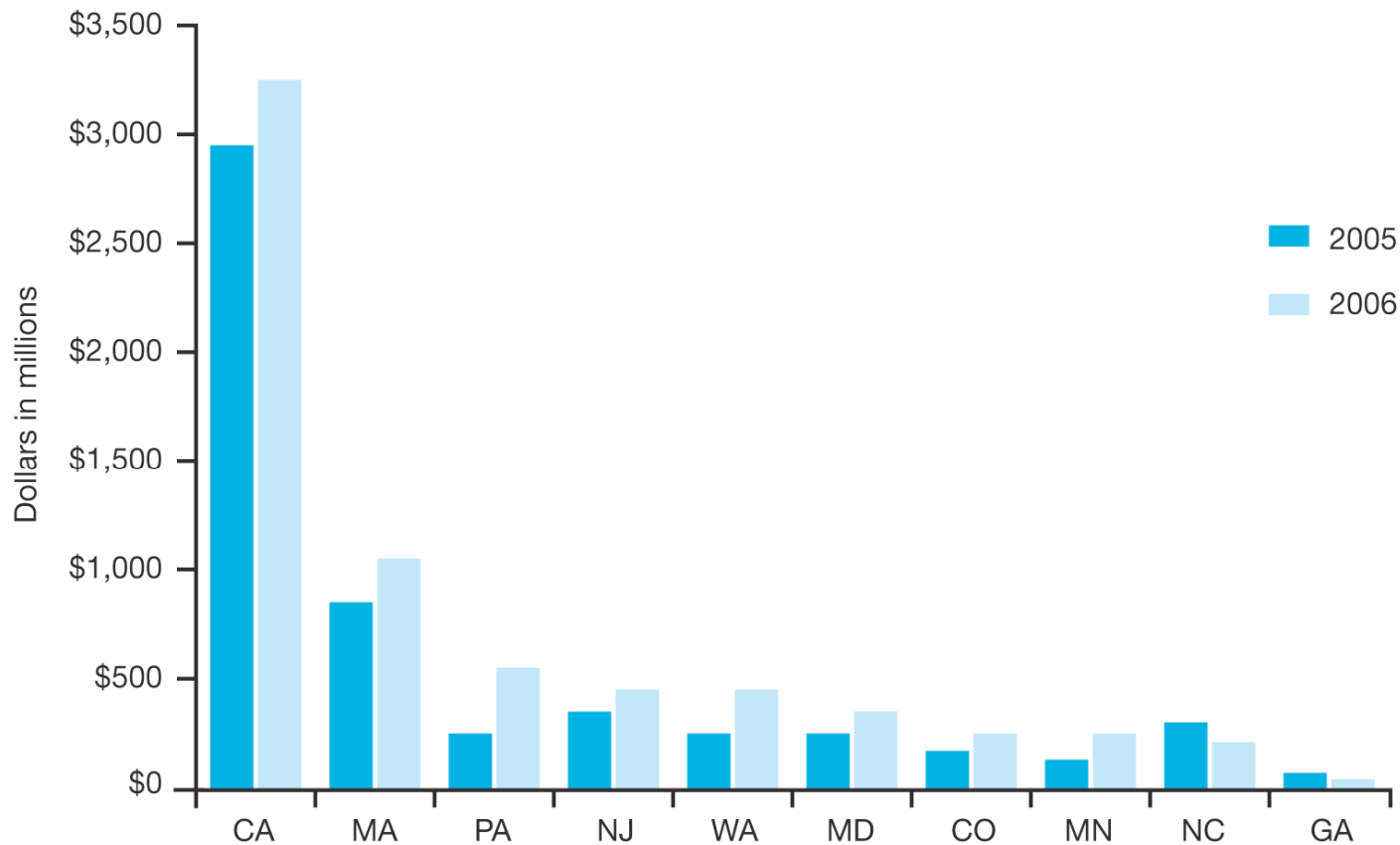
Source: CHI & PwC

Investing in R&D – Jobs and Infrastructure

Public biomedical companies that are doing business in California invested an estimated \$27 billion in the research and development of new products for unmet medical needs in 2006.

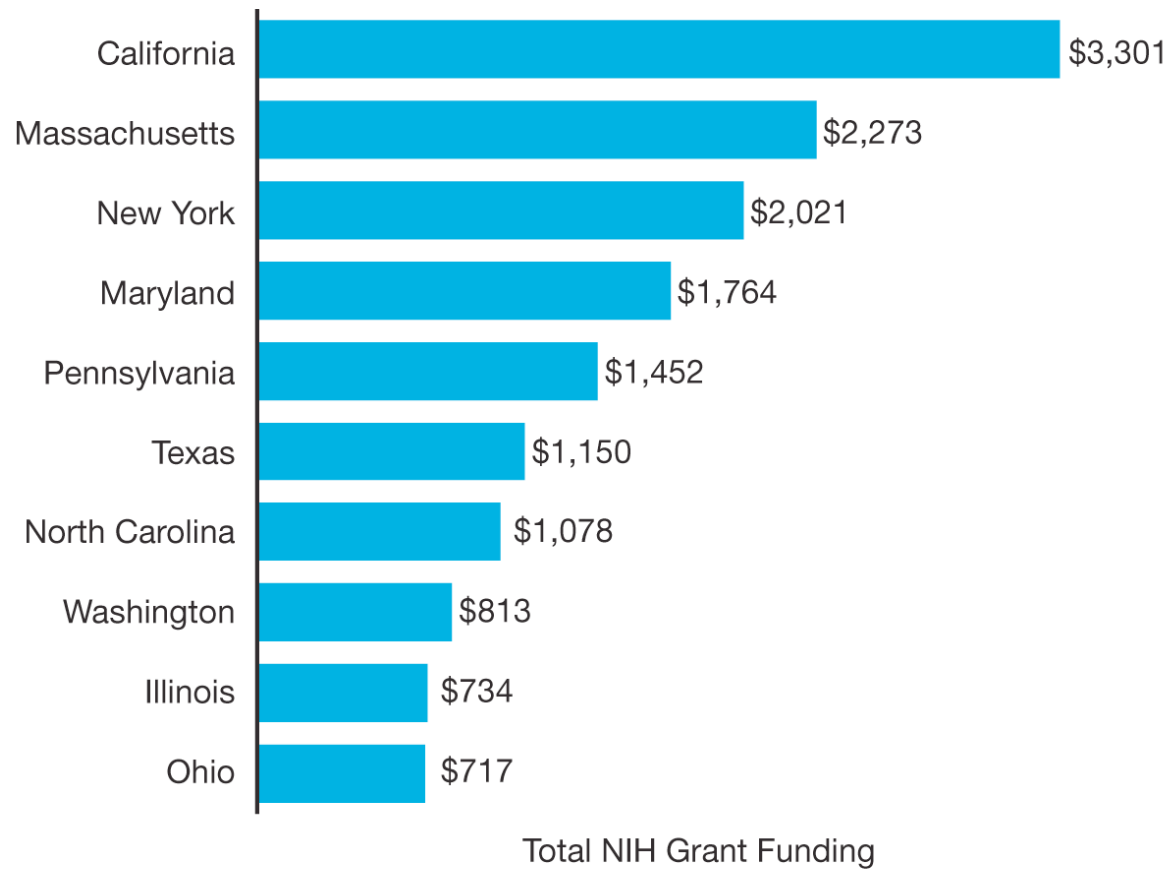
Source: CHI & PwC

Venture Capital Investment



Source: PricewaterhouseCoopers and National Venture Capital Association, *Money Tree Report*, 2007.
Data from Thomson Financial.

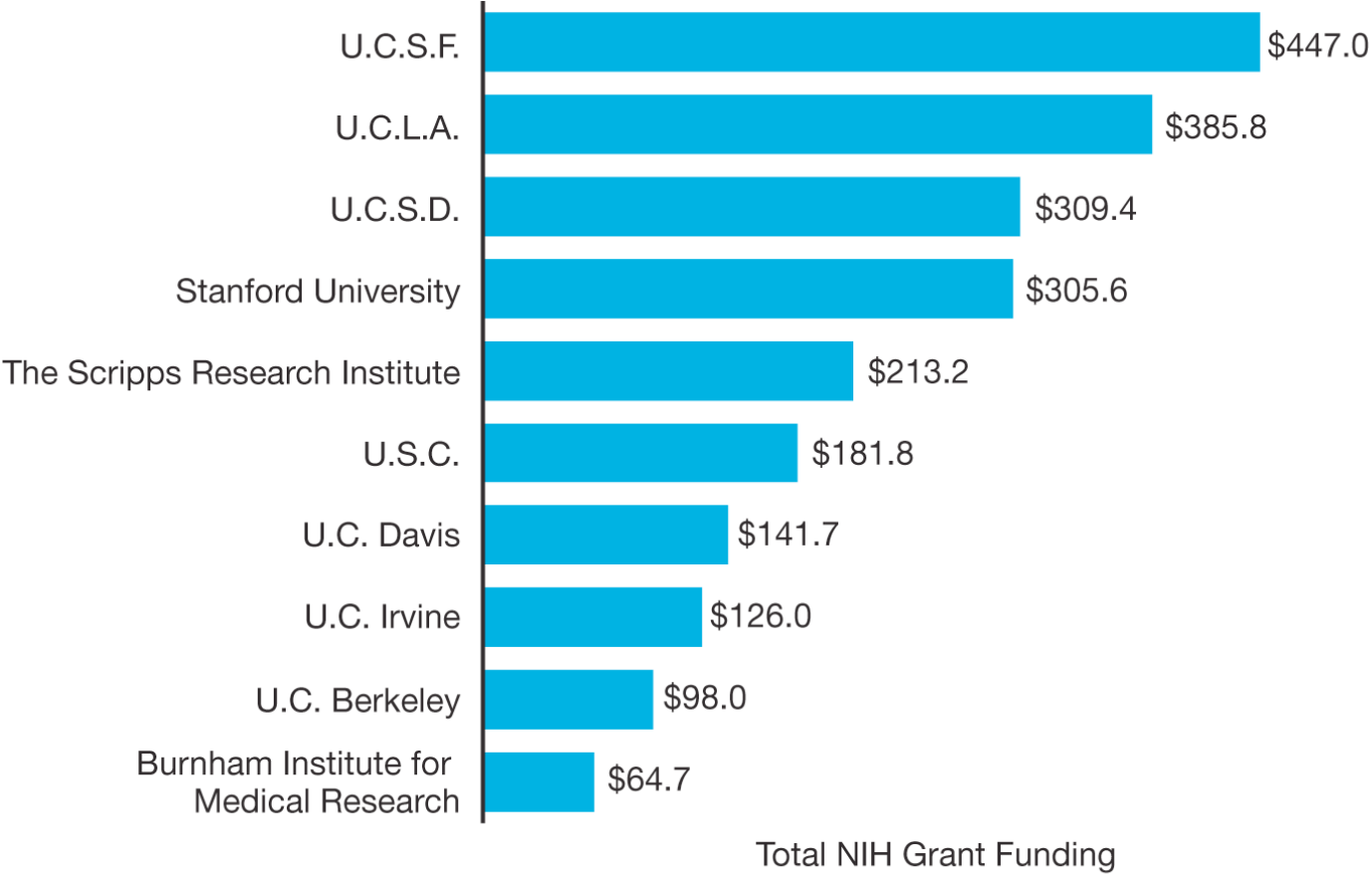
California Leading Nation - NIH Grant Funding



Source: National Institutes of Health, Office of Extramural Research

Slide: CHI & PwC

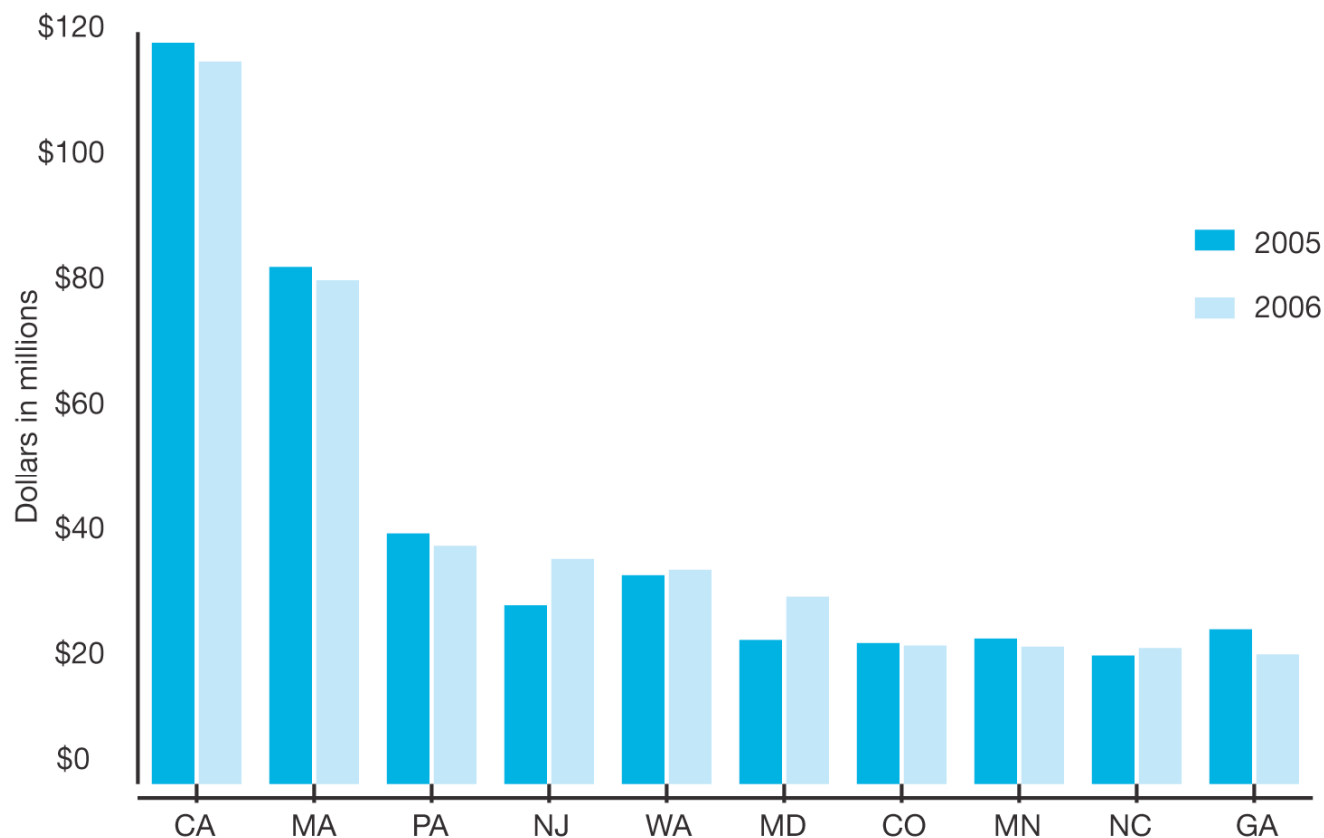
California Universities/Institutes – Fueling Innovation



Source: National Institutes of Health, Office of Extramural Research

Slide: CHI & PwC

California First in Innovation



Source: National Institutes of Health, Office of Extramural Research

Top 10 recipients of NIH SBIR and STTR Funds

Slide: CHI & PwC

CA Challenge - Biopharmaceutical Manufacturing

- 61% of firms currently manufacture products in California
- 35% have at least some manufacturing in other states
- 39% have manufacturing capacities in other countries
- 78% of firms expected to expand manufacturing out-of-state in the next two years

Source: CHI & PwC

Maintaining California's Leadership

- Funding advanced education in life sciences disciplines
 - Preparing adequate human capital
- Provide tax and investment incentives
- Infrastructure improvements
- Accelerating/incenting new business formation
- Reforming and streamlining Federal, State, and local regulations